A/61/5 (Vol. III)

United Nations

Volume III
International Trade Centre UNCTAD/WTO

Financial report and audited financial statements

for the biennium ended
31 December 2005 and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-first Session
Supplement No. 5 (A/61/5)

General Assembly
Official Records
Sixty-first Session
Supplement No. 5 (A/61/5)

Financial report and audited financial statements

for the biennium ended 31 December 2005

Report of the Board of Auditors

Volume III
International Trade Centre UNCTAD/WTO

United Nations • New York, 2006

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

Contents

Chapter		Page
	Letters of transmittal	v
I.	Financial report for the biennium ended 31 December 2005	1
	A. Operations	1
	B. Financial results	3
	Annex Supplementary information	5
II.	Report of the Board of Auditors	6
	Summary	
	Introduction	8
	1. Previous recommendations not fully implemented	8
	2. Main recommendations	9
	3. Financial overview	10
	4. United Nations System Accounting Standards	12
	5. Write-offs of losses of cash, receivables and property	14
	6. Ex gratia payments	14
	7. Consultants and experts	14
	8. Programme management	15
	9. Information and communication technology	17
	10. Information technology fraud prevention	17
	11. Fraud and presumptive fraud	18
	Acknowledgement	19
	Annex Status of implementation of recommendations for the financial period ended 31 December 2003	20
III.	Audit opinion	21
IV.	Certification of the financial statements	22
V.	Financial statements for the biennium ended 31 December 2005	23
	Statement I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2005	24

Statement II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2005 26

Statement III. Statement of cash flows for the biennium ended 31 December 2005 28

Statement IV. General Fund: statement of appropriations for the biennium ended 31 December 2005 30

Notes to the financial statements 31

Letters of transmittal

31 March 2006

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Trade Centre UNCTAD/WTO for the biennium 2004-2005, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Kofi A. **Annan**

Mr. Guillermo N. Carague
Chairman
United Nations Board of Auditors
New York

28 July 2006

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Trade Centre UNCTAD/WTO for the biennium ended 31 December 2005.

(*Signed*) Guillermo **Carague**
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2005

A. Operations

1. The International Trade Centre UNCTAD/WTO (ITC) is a technical cooperation organization whose mission is to support developing countries and transition economies, particularly their business sectors, in their efforts to realize their full potential for developing exports and to improve import operations with the ultimate goal of achieving sustainable development. As a joint subsidiary organ of the World Trade Organization (WTO) and the United Nations, the latter acting through the United Nations Conference on Trade and Development (UNCTAD), ITC deals specifically with the operational aspects of trade promotion and export development. It acts as the focal point for all United Nations technical cooperation activities in trade promotion, as affirmed by the Economic and Social Council in its resolution 1819 (LV) of 9 August 1973.

2. As stipulated in the Secretary-General's report to the General Assembly on the proposed medium-term plan for the period 2002-2005 (A/55/6 (Prog. 9)), ITC is responsible for the implementation of sub-programme 6, "Operational aspects of trade promotion and export development" of programme 9, "Trade and development". The programme had five principal goals during the biennium 2004-2005: facilitating integration into the multilateral trading system; supporting the design of trade development strategies; reinforcing trade support services; improving sector performance; and building enterprise competitiveness. In order to maximize impact and to become more cost-effective, ITC applied a three-track approach for the delivery of its tools and programmes. These are (a) global coverage through networking, where generic tools are adapted to country needs by network partners, (b) integrated multi-country/multi-agency programmes and (c) tailor-made country projects. Priority of programme delivery was given to least developed countries and Africa, and to the special needs of small and medium-sized enterprises.

3. During the biennium 2004-2005, ITC launched a number of new programmes, established alliances with new partners like the European Commission, enhanced its toolkit of products and services and made improvements to its business processes. Two new programmes were launched with funding from the ITC Global Trust Fund: one in the area of export strategy design and management and another in the field of services. A number of country and multi-country programmes were initiated with funding from the European Commission, including the establishment of an Asia Trust Fund which allowed ITC to respond quickly and effectively to requests from Asian developing countries to help integrate their small and medium-sized enterprises into the multilateral trading system. A new phase of the Joint Integrated Technical Assistance Programme for selected least developed and other African countries (JITAP) covering 16 African countries and jointly executed by WTO, UNCTAD and ITC was launched. ITC was called upon to implement a number of country projects under the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries. A joint partnership in the field of trade information was launched in the Netherlands with the ITC, for the promotion of imports and developing countries in Africa. Partnerships with the private sector were launched, such as with Hewlett-Packard.

4. Over the programme period ITC played a decisive role in providing a platform for business to interact with trade negotiators and in giving small and medium-sized enterprises practical advice on how to benefit from the multilateral trading system. This was explicitly recognized by ministers of trade in the Ministerial Declaration adopted at the Sixth WTO Ministerial Conference, held in Hong Kong in 2005. Reducing poverty through trade remained the top priority of ITC. The export-led poverty reduction programme benefited over 9,000 people in poor communities, generating exports worth $1.3 million. Every year, United Nations agencies alone spend more than $3.6 billion to procure goods and services for humanitarian relief in Africa, of which only about 10 per cent is supplied by African firms. To address this issue, in the context of the ITC Buying for Africa from Africa programme a number of buyer/seller meetings were organized between African suppliers and representatives of relief agencies responsible for sourcing humanitarian relief items. In 2004-2005, 108 African enterprises were visited, audited, advised and carefully selected by specialized consultants and invited to the buyer/seller meetings, where they made important contacts, obtained greater knowledge of the market, developed partnerships and, most importantly, received export orders.

5. In view of the separation on retirement of the entire senior management of ITC over a 12-month period, a succession plan was launched in 2005 to ensure that all departing managers are replaced on a timely basis, possibly with some overlap. This plan is being successfully implemented with the replacement of the Executive Director, the Deputy Executive Director and one Director designate already finalized before their retirement.

6. In view of the ever-increasing demand for ITC interventions on the part of both donors and beneficiaries, ITC will continue to reassess its range of tools, mode of dissemination and programme delivery and enhance its impact measurement systems.

7. ITC implemented 204 projects and programmes comprising 85 interregional, 47 regional and 72 country-specific projects during the biennium. Some 760 training events were organized for over 33,500 participants, of whom about 10,000 were women. Some 2,000 advisory missions were carried out. ITC achieved or surpassed 14 of its 17 indicators of achievement during the reporting period.

8. The level of activities financed by trust funds and UNDP continued to grow with total technical cooperation expenditures amounting to $25.1 million in 2004 and $24.7 million in 2005, totalling $49.8 million for the biennium 2004-2005. This represents a 24 per cent increase compared to the total expenditures of $40.2 million for the biennium 2002-2003.

9. Annual meetings as well as special technical meetings and informal sessions of the Joint Advisory Group on ITC, which brings together ITC parent bodies, member States of UNCTAD and members of WTO, donors and beneficiaries, provided regular review of the work of ITC and guidance on strategies and priorities. Regular consultations with donors and beneficiaries also took place within the framework of the Consultative Committee of the ITC Global Trust Fund. At the thirty-sixth and thirty-seventh sessions of the Joint Advisory Group in 2003 and 2004 respectively, delegates endorsed the strategic thrust of ITC and its work in the area of product and market development, in addressing supply-side constraints and in responding to the Millennium Development Goals. The work of ITC in bringing business and trade negotiators together to discuss the business implications of trade negotiations, as

well as its pioneering work in promoting South-South trade, was recognized. Delegates also acknowledged efforts of the ITC to increasingly introduce results-based management within the organization and improve work processes. An external evaluation of ITC led by a group of donors reaffirmed the comparative advantage of ITC in providing trade-related technical assistance.

B. Financial results

10. Financial statements I, II, III and IV show the financial results of the Centre's activities. The notes to the financial statements explain the Centre's accounting and financial reporting policies and provide additional information on the individual funds.

11. Approximately half of the Centre's activities are financed by extrabudgetary funds and the other half by the regular budget. The regular budget is assessed to the United Nations and to WTO in equal shares. The current administrative and budgetary arrangements between the two organizations were decided by the General Assembly in its resolution 53/411. The contributions by the respective organizations, net of miscellaneous income, are fixed in Swiss francs. Statement IV provides summary information on the regular budget appropriation and expenditure.

12. Total resources expended during 2004-2005 by source of funds are as follows:

	United States dollars
Regular budget	51 514 507
Trust funds	47 492 582
United Nations Development Programme	2 337 991
Programme support costs	6 156 958
Revolving funds and other funds	3 478 691
All funds eliminations	(6 833 721)
Total	**104 147 008**

Details of these expenditures are shown in statement I and in the notes to the financial statements. It should be noted that resources in all the funds (except for the General Fund and programme support costs) are earmarked for special purposes and are not available to cover the costs of the Centre's core programmes.

13. The Centre's General Fund balance as at 1 January 2004 was $1,162,733, which was refunded equally to the United Nations and WTO during the biennium 2004-2005. Contributions of $51,215,828 received from the United Nations and WTO, investment income of $128,062, miscellaneous income of $460,303 and the savings on/or cancellation of prior period obligations of $233,349 resulted in funds available totalling $52,037,542. Expenditures, including unliquidated obligations of $2,455,930, amounted to $51,514,508. Taking into account the above, the fund balance of the General Fund as at 31 December 2005 reflected a net surplus of $523,034, which will be available for the credits of the United Nations and WTO in the biennium 2006-2007.

14. The Centre had a total of $37,815,687 cash and term deposits at the end of the biennium. Of this amount, $29,956,287 pertains to Technical Cooperation Trust Funds activities.

15. In accordance with General Assembly resolution 60/1 on the 2005 World Summit Outcome, a comprehensive review of governance and oversight of the United Nations is being conducted under the guidance of a steering committee of independent international experts. An annex relating to governance, oversight and accountability, and risk management and continuity was included in the Centre's *Annual Report 2005*, which will be discussed by the Member States at the 2006 Session of the Joint Advisory Group.

Annex

Supplementary information

1. The present annex includes an explanation of the double-counting contained in the financial statements, along with the information that the Secretary-General is required to provide.

Double-counting in the financial statements

2. The Centre's financial statements for individual funds contain elements of double-counting of income and expenditure totalling $6,833,721. These amounts have been eliminated from the income and expenditure figures shown in the "total" columns of statement I. Similarly, elements of double-counting of inter-fund indebtedness totalling $2,104,964 have also been eliminated from the total asset and liability figures shown in statement II.

Write-off of losses of cash and receivables

3. In accordance with financial rule 106.8, receivables of $1,760 were written off during the biennium 2004-2005.

Write-off of losses of property

4. In accordance with financial rule 106.9, losses of property amounting to $1,700 were written off during the biennium 2004-2005. The losses are based on the original cost of the properties and include write-offs arising from shortfalls, theft, damage and accidents. The write-offs bring the recorded balances of the properties to the same levels as those shown in the property records for the actual quantities on hand. The details of the amounts written off were provided to the Board of Auditors in accordance with the provisions of financial rule 106.9.

Ex gratia payments

5. There were no ex gratia payments during the biennium 2004-2005.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the International Trade Centre UNCTAD/WTO (ITC) for the financial period ended 31 December 2005.

The Board also addressed special requests from the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. In addition to the audit of the accounts and financial statements for the year ended 31 December 2005, the Board also carried out reviews of the operations of ITC under Financial Regulation 7.5.

The Board issued an unqualified audit opinion on the financial statements of ITC for the biennium ended 31 December 2005, as reflected in chapter III.

Implementation of previous recommendations

As requested by the Advisory Committee on Administrative and Budgetary Questions, the Board evaluated the ageing of its previous recommendations that had not been fully implemented and has indicated the financial period when such recommendations were first made in the annex to the present chapter. Out of a total of 10 recommendations, four (40 per cent) had been implemented, while six (60 per cent) were under implementation. All the recommendations not yet fully implemented relate to the period 2002-2003; five of them are pending decisions by the United Nations.

Financial overview for the biennium ended 31 December 2005

The financial position of ITC at the end of the biennium was healthy. However, reserves and fund balances of $34.9 million, including $31.3 million earmarked for technical cooperation activities, were insufficient to cover after-service liabilities.

United Nations System Accounting Standards

The financial statements of the Centre for the biennium 2004-2005 were consistent with the United Nations System Accounting Standards.

Consultants and experts

The management of consultants and experts was not fully in compliance with United Nations Regulations and Rules. There was room for improvement with regard to gender and geographical balance, the recruitment process and the duration of contracts.

Programme management

The Centre has developed its own monitoring and reporting tools, but should continue to integrate United Nations requirements into their design. The evaluation of project performance could be enhanced, in particular by the dissemination of appropriate guidelines to the Centre's staff.

Information technology fraud prevention

The Centre has yet to formally promulgate United Nations rules on the use of information and communication technology resources and data, in addition to its own policies and practices in that regard.

Fraud and presumptive fraud

The Centre made significant efforts during the biennium to raise fraud-awareness among its staff. Further progress could be made, notably with respect of training.

Recommendations

The Board has made several recommendations based on its audit observations. A summary of the main recommendations of the Board is set out in paragraph 14 and 15 below.

Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre UNCTAD/WTO (ITC) for the period from 1 January 2004 to 31 December 2005 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements of ITC presented fairly its financial position as at 31 December 2005 and the results of operations and cash flows for the period then ended, in accordance with the United Nations System Accounting Standards. This included an assessment as to whether the expenditures recorded in the financial statements for the period from 1 January 2004 to 31 December 2005 had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under Financial Regulation 7.5. The reviews primarily focused on the efficiency of procedures, the internal financial controls and, in general, the administration and management of ITC.

4. The audit was carried out at the headquarters in Geneva.

5. The Board continued to report the results of audits to the Administration in management letters containing detailed observations and recommendations. This practice allowed for ongoing dialogue with the Administration. One management letter was issued covering the biennium ended 31 December 2005.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the present report.

7. A summary of the Board's main recommendations is contained in paragraph 14 below.

8. The detailed findings are discussed in paragraphs 17 to 71.

1. Previous recommendations not fully implemented

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the financial period ended

31 December 2003.[1] Details of the action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Of a total of 10 recommendations, four (40 per cent) had been implemented, while six (60 per cent) were under implementation. Among outstanding recommendations, five could not be fully implemented pending decisions by the United Nations and would require a coordinated response on such issues as disclosure in financial statements, funding of after-service liabilities, fraud-awareness policy and information and communication technology (ICT) strategies.

Ageing of previous recommendations

10. The Board evaluated the ageing of its previous recommendations that had not been fully implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8; A/60/7, para. 12). The annex to the present chapter indicates the financial period when such recommendations were first made.

11. All six of the recommendations not yet fully implemented relate to the period 2002-2003. The Board's further comments on these outstanding recommendations are addressed elsewhere in this report.

Monitoring of recommendations

12. The Advisory Committee on Administrative and Budgetary Questions has indicated that administrations should continue to introduce and strengthen effective monitoring tools as well as to assign responsibility at the highest level of their management structure for implementation and follow-up of the Board's recommendations (A/59/400, para. 11).

13. So far, reports issued by the Office of Internal Oversight Services and the Board of Auditors have been posted on the ITC Intranet and made available to all staff, and have been circulated to and discussed by the Senior Management Committee. Responsibility for the implementation of audit recommendations is assigned to the Director concerned and periodic follow-up is performed by the Division of Programme Support. Following the audit conducted by the Board of Auditors in 2005, an oversight committee was established effective 1 June 2006.

2. Main recommendations

14. The Board's main recommendations are that the Administration:

Operating reserve

(a) Review the level of the operating reserve maintained under technical cooperation trust funds, in line with its operational needs (para. 24);

Consultants and experts

(b) Comply with applicable rules on the limited duration of contracts for consultants (para. 41);

[1] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5 and Corr.3), vol. III, chap. II.

(c) **Consider several qualified candidates for each assignment, so far as practicable, and document the selection process (para. 44);**

Programme management

(d) **Issue guidelines on the evaluation of project performance (para. 57);**

Management of trust funds

(e) **Promptly issue revised instructions on the management of trust funds (para. 25);**

(f) **Review and update provisions of administrative instruction ST/AI/297 on technical cooperation personnel (para. 46);**

(g) **Consider the development of interfaces between the Integrated Monitoring and Documentation Information System (IMDIS) and organizations' integrated monitoring tools (para. 54).**

15. The Board's other recommendations appear in paragraphs 29, 38, 51, 65, 69 and 71.

3. Financial overview

16. The regular budget of the Centre is financed jointly and equally by the United Nations and the World Trade Organization (WTO). In addition, the Centre received voluntary contributions of $59 million for its technical cooperation activities during the biennium 2004-2005.

17. The total income for the biennium ended 31 December 2005 reached $117.3 million for regular and voluntary resources and miscellaneous income (including interest income, funds received from the United Nations Development Programme (UNDP) under inter-organizational arrangements, income for services rendered and others). This represented an increase of 32 per cent as compared with the previous biennium.

18. Table 1 summarizes the statement on income and expenditure and changes in reserves and fund balances for all funds over the past three bienniums.

Table 1
Financial overview
(Millions of United States dollars)

	2000-2001	*2002-2003*	*2004-2005*	*2005/2003*
Total income	66.3	88.8	117.3	32.1%
Total expenditure	67.1	83.7	104.1	24.4%
Excess (shortfall) of income over expenditure	(0.8)	5.1	13.2	158.8%
Reserve and fund balances, end of year	6.9	22.9	34.9	52.4%

19. As illustrated by the ratios set out in table 2 below, at the end of the biennium 2004-2005 ITC was in a healthy financial situation; the positive trend observed in 2002-2003 continued in 2004-2005.

Table 2
Ratios of key financial indicators

	All funds		*General Fund*		*Trust funds*	
Description of ratio	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*
Cash/liabilities[a]	1.77	2.00	0.34	0.35	2.79	3.25
Assets/liabilities[b]	2.49	2.85	1.17	1.07	3.40	4.20
Accounts receivable/ total assets[c]	0.08	0.12	0.04	0.05	0.07	0.12

[a] A high indicator reflects the extent of cash available to settle debts.
[b] A high indicator reflects a positive solvency position.
[c] A low indicator depicts a healthy financial position.

20. At the end of 2005, regular resources provided to the Centre by the United Nations and WTO were almost exhausted, leaving a fund balance under the General Fund of only $0.5 million (compared with $1.2 million at the end of 2003). As provided by the United Nations Financial Regulations and Rules, applicable in accordance with the administrative arrangements for ITC, the end-of-period balance is returned to the United Nations and WTO, and cannot be accumulated by the Centre.

Table 3
Financial overview by fund
(Thousands of United States dollars)

	General Fund		
	2002-2003	*2004-2005*	*2003/2003*
Total income	41 882	51 804	23.7%
Total expenditure	41 911	51 514	22.9%
Net excess (shortfall) of income over expenditure	(29)	290	
Reserve and fund balances, end of financial period	1 163	523	
	Trust funds		
Total income	41 424	60 319	45.6%
Total expenditure	36 926	47 493	28.6%
Net excess of income over expenditure	4 498	12 842	185.5%
Reserve and fund balances, end of year	17 842	29 429	64.9%

21. Technical cooperation activities of the Centre expanded during the biennium, as underlined by the significant increase of both income and expenditure incurred against trust funds. During the biennium 2004-2005, ITC completed 204 projects, compared with 111 projects in 2002-2003. At the end of the financial period, the trust fund balance had increased to $29.4 million (or two third of the value of expenditure incurred against trust funds during the biennium), but was earmarked for future trust fund activities and could not be commingled with the General Fund or reserves. Consequently, although the level of reserves and fund balances at the end of the financial period was higher in 2005 than in 2003 (showing a 53 per cent

increase), the share of non-earmarked reserves decreased sharply and the issue of unfunded liabilities remained unsolved (see table 4).

Table 4
Reserves and funds balances
(Thousands of United States dollars)

	2002-2003		2004-2005	
Reserves and fund balances				
Total non-earmarked funds	4 703	21%	3 644	10%
Total earmarked funds	18 172	79%	31 287	90%
Total reserves and fund balance	**22 875**		**34 931**	
After service liabilities				
After service health insurance (note 8 (a))	31 155		41 187	
Other liabilities	7 500		6 400	
Total after-service liabilities	**38 655**		**47 587**	
Non-earmarked funds/after-service liabilities		12%		8%

22. Since 1993, and as described in note 3 to the financial statements, the Centre had maintained an operating reserve under technical cooperation trust funds amounting to $1,087,816, aimed at meeting contingencies, including those arising from the termination of employment of experts. The level of the reserve represented 6 per cent of expenditure pertaining to technical cooperation activities in 2002-2003 and less than 3 per cent in 2004-2005, far from the 15 per cent level referred to in administrative instruction ST/AI/284 on the management of trust funds. Considering the increase in the Centre's activities, expenditures and liabilities since 1993, it might be prudent to reassess the level of the operating reserve, in line with actual operational needs.

23. The Centre indicated that it had initiated the process for reviewing the level of its operating reserve, but suspended its action in 2006, pending issuance by the United Nations Secretariat of new instructions, still under preparation, on the management of trust funds.

24. **The Centre agreed with the Board's recommendation that it review the level of the operating reserve maintained under technical cooperation trust funds, with the view to meeting its actual operational needs, subject to the expected issuance by the United Nations of new instructions on the management of trust funds.**

25. **The Board also recommends that the United Nations Secretariat promptly issue revised instructions on the management of trust funds.**

4. United Nations System Accounting Standards

26. The Board assessed the extent to which the financial statements of ITC for the biennium ended 31 December 2005 conformed with the United Nations System

Accounting Standards. Notwithstanding observations set out below, the review indicated that the financial statements were consistent with the standards.

Statement IV

27. The ITC financial statements for the biennium 2004-2005 included a statement of appropriations (statement IV). Its format was not fully compliant with the requirements of the United Nations System Accounting Standards (appendix V), since it disclosed only the final appropriation, as approved by the United Nations and WTO, and did not provide details for the original appropriation, supplementary appropriation, adjustments and transfers.

28. Moreover, statement IV disclosed that appropriations approved by the Centre's governing bodies amounted to $51,774,300, consisting of miscellaneous income (estimates) of $582,300 and contributions in equal shares by the United Nations and WTO to the General Fund of $51,192,000. However, miscellaneous income actually recorded during the biennium was less than estimates by $122,300 and owing to currency exchange fluctuations. The $98,000 difference between approved appropriations and funds actually made available to the Centre under its regular budget, although not material for the biennium under review, was not disclosed in the financial statements.

29. **The Centre agreed with the Board's recommendation that it improve disclosure in the financial statements regarding the value of the appropriations received.**

Liabilities for annual leave, end-of-service and post-retirement benefits

30. The actuarial valuation of the Centre's liabilities for after-service health insurance as at 31 December 2005, mentioned in note 8 to the financial statements, was not available at the time of the closing of the accounts and issuance of the financial statements. However, an updated actuarial valuation provided in May 2006 reflected a 32 per cent growth in the value of liabilities for after-service health insurance as at 31 December 2005 of $31.2 million, compared to the prior liability amounts as at 31 December 2003 of $41.2 million.[2] As indicated by the Insurance and Disbursement Service of the United Nations Secretariat, this increase was mainly due to five basic sources of change: (i) the roll forward of liabilities from one financial period to another, (ii) updated census information, (iii) updated claim costs, (iv) updated demographic assumptions and (v) updated discount rates.

31. In its report for the biennium ended 31 December 2001-2003,[3] the Board of Auditors reiterated its recommendation that ITC, in conjunction with the United Nations Secretariat, address the issue of unfunded liabilities for end-of-service and post-retirement benefits. So far, ITC has not taken any step to address the issue of unfunded liabilities, pending a decision by the General Assembly and the definition of United Nations policy in that respect. ITC indicated that it would abide by the decision of the General Assembly and the resultant United Nations policy.

[2] The amount of $41.2 million provided by the Administration has yet to be validated by the Board of Auditors, pending transmission of the detailed valuation.

[3] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5 (Vol. III)), para. 32.

5. Write-offs of losses of cash, receivables and property

32. ITC reported $3,460 of write-offs of losses of cash and property.

6. Ex gratia payments

33. ITC reported no ex gratia payments during the biennium ended 31 December 2005.

7. Consultants and experts

34. During the biennium 2004-2005, ITC hired a total of 806 consultants and technical cooperation experts under 1,537 contracts with a total value of $13.4 million. The large majority of them were hired for technical cooperation activities under extrabudgetary funds.

35. The monitoring of consultancy and experts' contracts and expenditure was significantly enhanced by the development of online real-time reporting on contracts and assignments, which combined parameters such as year, month, nationality, gender, number and duration of contracts, projects charged and value of contracts.

36. Administrative instruction ST/AI/1999/7 requires that "every effort shall be made to select consultants from the widest possible geographical base. Travel costs may be considered but may not distort the geographical balance in the awarding of contracts. Due regard shall be paid in the selection process to the need to achieve gender balance, without prejudice to the requirement of a wide geographical distribution". In 2005, consultants of 97 nationalities were recruited (105 in 2004), but almost half of them originated from Europe and North America (52 per cent in 2004; 45 per cent in 2005). If only technical cooperation activities are considered, out of a total of 1,198 assignments in the biennium 2004-2005, experts from developed countries carried out 526 or 43.9 per cent. As for gender balance, only one third of consultants were female.

37. The Centre began development of a new roster that, in addition to enhanced monitoring tools and processes, is expected to be one of the components of a plan to identify candidates for regular posts and consultancies from a broader range of countries and to increase the number of female candidates.

38. **The Centre agreed with the Board's recommendation that it continue its efforts to improve the geographical and gender balance of consultants and experts.**

39. Administrative instruction ST/AI/1999/7 requires that a consultant to be engaged by the United Nations under temporary contract and must have skills and knowledge for which there is no continuing need in the Organization. The Board found that, in 2005, four consultants had been hired under the regular budget to meet continuing needs, for periods of over 220 working days, which was still within the limits authorized by administrative instruction ST/AI/1999/7.

40. The Centre justified extension of contracts for consultants for whom there were continuing need by the necessity of providing required services at the lowest cost. The Centre indicated that it would consider the conversion of contracts for such consultants into posts, which could not be undertaken within existing resources. Therefore, resolution of that issue might not be envisaged before the biennium 2008-2009, in view of the budgetary implications of the conversion. In the meantime, the Centre has been developing new rules for the engagement of

consultants in line with its operational requirements and specific training sessions have been organized since the beginning of 2006, in order to increase awareness of section chiefs in that respect.

41. **The Centre agreed with the Board's recommendation to comply with applicable rules on the limited duration of contracts for consultants.**

42. In respect of selection of consultants, the United Nations Regulations and Rules call for selection on a competitive basis, so far as practicable (Staff Regulation 4.3 refers). Based on a sample review, the Board found that preliminary competition between candidates was not documented by the Centre and that the rationale for the selection of consultants was not clearly disclosed in files. ITC indicated, however, that the candidates' relative merits were assessed and documented before inclusion in the roster, which could be considered as a "preliminary competition".

43. While acknowledging in principle that several candidates should be considered and that the rationale for the selection should be documented, ITC maintained "its strong reservations at the reference to a competitive process, which cannot be put in place in an operational environment for technical cooperation-related tasks where time is often of the essence". However, the Centre indicated that the matter had been brought to the attention of the section chiefs, during training sessions.

44. **The Centre agreed with the Board's recommendation that it consider several qualified candidates for each assignment, so far as practicable, and document the rationale for selection of candidates.**

45. The recruitment and management of technical cooperation personnel are governed primarily by United Nations Staff Regulations and United Nations Staff Rules 200 series. But detailed provisions are contained in administrative instruction ST/AI/297, dated 19 November 1982, that are no longer in line with current requirements and practices and are therefore of limited relevance. For example, it contains outdated provisions in respect of assignments of project personnel and no provisions on the selection process, standards of conduct or performance evaluation.

46. **The Board recommends that the United Nations Secretariat review and update the provisions of administrative instruction ST/AI/297 on technical cooperation personnel.**

8. Programme management

47. ITC is a subprogramme of the regular budget of the United Nations and as such has to monitor and report on the objective, expected accomplishment and indicators of achievements defined in the programme budget approved by the General Assembly.

48. In addition to using the Integrated Monitoring and Documentation Information System (IMDIS), designed by the United Nations to monitor work in a results-based framework and report on the implementation of outputs, ITC has developed several "in-house" tools to monitor its programme performance and delivery, based on its "projects portal" interface.

49. The ITC management had reservations about the relevance and efficiency of IMDIS, considered as "output oriented and not at all based on performance management principles", time-consuming and of limited value-added with regard to

the actual operational requirements of the Centre, which were fully met by its own tools. Nevertheless, the Centre had always complied, and indicated that it would continue to do so, with the requirements to use IMDIS for budgeting and reporting purposes.

50. The Board has commended ITC on its portal and related monitoring and reporting facilities. However, in order to avoid an additional burden and to streamline reporting procedures, ITC should consider integrating IMDIS requirements in the design of its own reporting tools. ITC has already taken initial steps in this regard (e.g. by aligning the "output" included in the Operations Portal with the general output categories of IMDIS) and others were contemplated, including linkages between Operations Portal and the IMDIS system or the development of a system allowing IMDIS-related data to be used by ITC staff as a planning and reporting tool to serve other purposes as well.

51. **The Board recommends that ITC continue its efforts to integrate IMDIS requirements into the concept and design of its own reporting tools, in order to streamline reporting procedures.**

52. Based on the Centre's experience, the feasibility of developing an interface between IMDIS and the ITC project portal (or any other similar application), which would benefit all organizations using IMDIS, could be considered by the United Nations.

53. The Centre indicated that the Board's recommendation had already been formally brought to the attention of the Office of Internal Oversight Services, but that owing to budgetary constraints, there did not seem to be much prospect of a positive response in the near future to requests put forward by user departments for improving IMDIS.

54. **The Board recommends that the United Nations conduct a feasibility study on the development of interfaces between IMDIS and organizations' integrated monitoring tools, in order to avoid duplication of work.**

55. ITC was a member of the United Nations Evaluation Group which, in May 2005, approved a set of evaluation norms and guidelines. However, the Centre has not established formal criteria for preparation of its plan for the annual evaluation of projects and no guidelines on evaluation had been distributed among its staff to ensure the dissemination of best practices and knowledge of the Centre's obligations in that area.

56. The Centre indicated they intended to build on the documents drawn up by the United Nations Evaluation Group to develop a set of ITC evaluation guidelines for project and programme evaluation, and to include training on evaluation norms and guidelines in the planned training on project cycle management foreseen for all ITC staff in 2006. As of April 2006, the Centre had begun the preparation of an evaluation policy, which would be followed by the preparation of evaluation guidelines, checklists for evaluations, and model terms of reference for evaluations.

57. **The Centre agreed with the Board's recommendation that it issue guidelines on the evaluation of project performance, including criteria for the selection of projects to be assessed in the planned annual evaluation plan.**

9. Information and communication technology

58. In its report for the biennium 2001-2003, the Board recommended that the Centre review the completeness of its information and communications technology (ICT) strategic documents in a cost-effective manner.[4] Although the Centre has completed a first draft of its ICT strategic plan and developed a guide on projects, including cost-benefit analysis, these documents had yet to be finalized as of April 2006.

59. The Board also recommended that the Centre adopt, with other United Nations organizations, a common methodology for determining the total cost of ownership of ICT.[5] Pending the issuance of guidelines by the United Nations ICT network including the common methodology suggested by the Board, ITC has taken steps to develop its own methodology, which is expected to be finalized by the end of 2006.

60. The Board recommended that the Centre establish and maintain standards and operational practices in line with best practices, in common with other United Nations organizations, with a view to reducing risks and costs, in particular for significant projects.[6] Although ITC has shared its project portal with UNCTAD, a common and systematic approach has yet to be adopted by the United Nations.

10. Information technology fraud prevention

61. The Board noted that ITC relied on United Nations official policies with regard to information technology (IT) fraud, adopting them and, where necessary, adapting them. In addition, the Board noted that ITC was implementing a security policy based on the practices of a non-United Nations organization, namely the Information Security Office of the New York State Office for Technology. ITC considers it more useful to adapt concrete policies actually implemented by a public entity and as such tested in a live environment, rather than creating new policies and procedures based on theoretical standards.

62. Except for the "audit vulnerability scanning policy" and "information sensitivity policy", security policies adopted by the Centre incorporates most of the components recommended by the SysAdmin, Audit, Network, Security (SANS) Institute. In several instances (e.g. Internet "demilitarized zone" (DMZ) equipment policy, remote access policy, risk assessment policy, router security policy and virtual private network (VPN) security policy), ITC relied on United Nations Office in Geneva (UNOG) and International Computing Centre (ICC) support and services. Review of security policy is performed by ITC in an ongoing process, in connection with the introduction of new software and hardware by ITC, ICC and UNOG.

63. The Board notes the Centre's statements that "its size and very special activities imply limited risk of fraud and corruption" and that "all the staff meet the highest standards of integrity required and expected from international civil servants". ITC also stated that "there is no need to have policies to deter fraud and corruption", since it does not use ICT for highly sensitive matters, transactions having a financial impact were processed either through manual controls in accordance with established procedures regularly audited by the Office of Internal

---

[4] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. III, chap. II, para. 60.

[5] Ibid., para. 65.

[6] Ibid., para. 72.

Oversight Services and the Board of Auditors or through IMIS, which had embedded controls developed in consultation with internal audit that were constantly reviewed, and it had confidence in the integrity of its staff. The risk assessment recently conducted by the Office of Internal Oversight Services concluded that a moderate risk level existed for information technology at ITC.

64. At the time of the audit, ITC was considering adapting the Secretary General's Bulletin on the use of information and communication technology (ST/SGB/2004/15). The Centre provided no time frame for finalization of this exercise.

65. **The Centre agreed with the Board's recommendation that it expedite the adoption of United Nations policies and practices in respect of the use of information and communication technology as prescribed in ST/SGB/2004/15.**

11. Fraud and presumptive fraud

66. ITC reported two cases of presumptive fraud to the Board during the financial period ending 31 December 2005. In both instances, investigations were duly conducted and it was concluded that there had been no fraud.

67. In its previous report, the Board recommended that the Centre develop a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, in coordination with the Administration of the United Nations and the other funds and programmes, to obtain the benefit of best practices, where available.[7] Since 2004, ITC has made significant efforts to ensure the dissemination of best practices in respect of fraud prevention and implementation of related United Nations policies, including training. But at the time of the Board's review the issue of fraud prevention was still under consideration by the United Nations and a common approach had yet to be defined.

68. ITC staff did not benefit from specific briefings on ethics, anti corruption and fraud awareness in the biennium 2004-2005. In particular, ITC reported that it was not invited to participate in training organized by UNOG for its staff or to join the UNOG-led task force on fraud prevention. However, the Centre had considered various possibilities for outsourcing the organization and delivery of training sessions on fraud issues.

69. **The Centre agreed with the Board's recommendation that training sessions on fraud-related issues be organized by ITC for its staff.**

70. UNOG indicated that it contemplated close coordination with other Geneva-based organizations, including common actions and training programmes, upon finalization and promulgation of the United Nations fraud and corruption plan and policy.

71. **The Board recommends that UNOG and other Geneva-based organizations consider organizing joint training sessions on fraud issues.**

[7] Ibid., para. 78.

Acknowledgement

72. The Board of Auditors wishes to express its appreciation of the cooperation and assistance extended to its staff by the Executive Director and the staff of the Centre.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) Guillermo N. **Carague**
Chairman of the Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

28 July 2006

Note: The South Africa and Philippines members of the Board of Auditors have signed only the English version of the present report. The French member of the Board has signed both original French and English versions.

Annex

Status of implementation of recommendations for the financial period ended 31 December 2003

Topic	*Financial period first reported*	*Implemented*[a]	*Under implementation*[a]	*Not implemented*	*Total*	*Reference in the present report*
Impact of foreign currency fluctuations	2002-2003	Para. 22			1	
After-service liabilities	2002-2003		Para. 32		1	Paras. 30-31
Disclosure in financial report	2002-2003		Para. 43		1	
Payment of grants	2002-2003	Para. 54			1	
ICT strategies	2002-2003	Paras. 67, 69	Paras. 60, 65, 72		5	Paras. 58-60
Fraud prevention management	2002-2003		Para. 78		1	Paras. 66-69
Total number		**4**	**6**	**0**	**10**	
Percentage		**40**	**60**	**0**	**100**	

[a] Paragraph numbers refer to paragraphs of the report of the Board of Auditors for the biennium 2001-2003 (*Official Records of the General Assembly, Fifty-ninth Session* (A/59/5), vol. III).

Chapter III

Audit opinion

We have audited the accompanying financial statements of the International Trade Centre UNCTAD/WTO, comprising statements numbered I to IV and the supporting notes, for the biennium ended 31 December 2005. These financial statements are the responsibility of the Secretary-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Centre UNCTAD/WTO as at 31 December 2005 and the results of its operations and its cash flows for the biennium then ended, in accordance with the United Nations System Accounting Standards.

Furthermore, in our opinion, the transactions of the International Trade Centre UNCTAD/WTO that have come to our notice, which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the International Trade Centre UNCTAD/WTO.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) Guillermo N. **Carague**
Chairman of the Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

28 July 2006

Note: The South African and Philippine members of the Board of Auditors have signed only the original English version of the present audit opinion. The French member of the Board has signed both original French and English versions.

Chapter IV
Certification of the financial statements

1. The financial statements of the International Trade Centre UNCTAD/WTO for the biennium ended 31 December 2005 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information and clarifications for the financial activities undertaken by the Centre during the period covered by these statements, for which the Secretary-General has administrative responsibility.

3. Copies of these statements are made available both to the Advisory Committee on Administrative and Budgetary Questions and to the Board of Auditors.

(*Signed*) Warren **Sach**
Assistant Secretary-General
Controller

31 March 2006

Chapter V
Financial statements for the biennium ended 31 December 2005

Contents

	Page
Statement I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2005	24
Statement II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2005	26
Statement III. Statement of cash flows for the biennium ended 31 December 2005	28
Statement IV. General Fund: statement of appropriations for the biennium ended 31 December 2005	30
Notes to the financial statements	31

Statement I

International Trade Centre UNCTAD/WTO

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2005[a]

(Thousands of United States dollars)

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2003*
Income								
Assessed contributions[b]								
WTO	25 586	—	—	—	—	—	25 586	20 625
United Nations	25 630	—	—	—	—	—	25 630	20 582
Voluntary contributions	—	59 067	—	—	611	—	59 678	41 376
Funds received under inter-organization arrangements	—	—	2 338	—	—	—	2 338	3 315
Income for services rendered	—	—	—	5 724	3 145	(6 833)	2 036	1 050
Interest income	128	1 252	—	99	96	—	1 575	1 158
Other/miscellaneous	460	—	—	16	—	—	476	748
Total income	**51 804**	**60 319**	**2 338**	**5 839**	**3 852**	**(6 833)**	**117 319**	**88 854**
Expenditure								
Staff and other personnel costs	39 796	24 753	767	5 288	2 414	—	73 018	61 016
Travel	455	1 092	238	9	91	—	1 885	2 468
Contractual services	2 549	7 842	126	81	237	—	10 835	5 760
Operating expenses	5 049	1 738	139	—	128	—	7 054	6 107
Acquisitions	2 093	1 530	569	—	145	(1 109)	3 228	2 045
Other	1 572	5 426	287	779	64	—	8 128	6 330
Total direct expenditure	**51 514**	**42 381**	**2 126**	**6 157**	**3 079**	**(1 109)**	**104 148**	**83 726**
Programme support costs	—	5 112	212	—	400	(5 724)	—	—
Total expenditure	**51 514**	**47 493**	**2 338**	**6 157**	**3 479**	**(6 833)**	**104 148**	**83 726**

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2003*
Excess (shortfall) of income over expenditure	290	12 826	—	(318)	373	—	13 171	5 128
Prior period adjustments	—	16	—	—	6	—	22	426
Net excess (shortfall) of income over expenditure	**290**	**12 842**	**—**	**(318)**	**379**	**—**	**13 193**	**5 554**
Savings on or cancellation of prior periods' obligations	233	—	—	43	—	—	276	747
Transfers (to)/from other funds	—	(1 005)	—	**(144)**	**1 149**	—	—	—
Refund to donors	(1 163)	(250)	—	—	—	—	(1 413)	(1 039)
Reserves and fund balances, beginning of period	**1 163**	**(17 842)**	—	2 452	1 418	—	22 875	17 613
Reserves and fund balances, end of period	**523**	29 429	—	**2 033**	**2 946**	—	34 931	22 875

[a] See note 2.
[b] See note 3 (a).

The accompanying notes are an integral part of the financial statements.

Statement II

International Trade Centre UNCTAD/WTO

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005[a]

(Thousands of United States dollars)

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2004*[b]
Assets								
Cash and term deposits	2 601	29 956		2 196	3 062	—	37 815	27 257
Inter-fund balance receivable	34	246	1 690	—	135	(2 105)	—	—
Receivable from funding sources	—	—	1 590	—	—	—	1 590	1 144
Other accounts receivable	356	4 386	111	67	55	—	4 975	1 821
Deferred charges	4 900	3 919	11	12	454	—	9 296	7 981
Inter-office transactions pending processing	—	127	15	—	—	—	142	66
Total assets	**7 891**	**38 634**	**3 417**	**2 275**	**3 706**	**(2 105)**	**53 818**	**38 269**
Liabilities								
Unliquidated obligations — current period	2 455	4 716	804	132	307	—	8 414	5 887
Unliquidated obligations — future periods	4 673	3 882	11	—	452	—	9 018	7 817
Inter-fund balance payable	—	299	2 601	101	—	(3 001)	—	—
Other accounts payable	240	308	1	9	1	896	1 455	1 690
Total liabilities	**7 368**	**9 205**	**3 417**	**242**	**760**	**(2 105)**	**18 887**	**15 394**
Reserves and fund balances								
Operating reserves	—	1 088	—	564	—	—	1 652	1 597
Balances related to projects funded by donors	—	28 341	—	—	—	—	28 341	16 754

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2003*[a]
Cumulative surplus (deficit)	523	—	—	1 469	2 946	—	4 938	4 524
Total reserves and fund balances	**523**	**29 429**	**—**	**2 033**	**2 946**	**—**	**34 931**	**22 875**
Total liabilities, reserves and fund balances	**7 891**	**38 634**	**3 417**	**2 275**	**3 706**	**(2 105)**	**53 818**	**38 269**

[a] See note 2.
[b] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement III

International Trade Centre UNCTAD/WTO

Statement of cash flows for the biennium ended 31 December 2005[a]

(Thousands of United States dollars)

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2003[b]*
Cash flows from operating activities								
Net excess (shortfall) of income over expenditure (Statement I)	290	12 842	—	(318)	379	—	13 193	5 554
(Increase) decrease in inter-fund balance receivable	6	206	(263)	—	(132)	183	—	—
(Increase) decrease in receivable from funding sources	—	—	(446)	—	—	—	(446)	261
(Increase) decrease in other accounts receivable	(79)	(2 948)	(81)	(18)	(28)	—	(3 154)	(670)
(Increase) decrease in other assets	469	(1 823)	(3)	3	(37)	—	(1 391)	(853)
Increase (decrease) in contributions or payments received in advance	—	—	—	—	—	—	—	—
Increase (decrease) in unliquidated obligations	447	2 720	409	(1)	153	—	3 728	1 800
Increase (decrease) inter-fund balance payable	—	(274)	384	73	—	(183)	—	—
Increase (decrease) in other accounts payable	103	(323)	—	(16)	1	—	(235)	(1 521)
Less: interest income	(128)	(1 252)	—	(99)	(96)	—	(1 575)	(1 158)
Net cash flows from operating activities	**1 108**	**9 148**	**—**	**(376)**	**240**	**—**	**10 120**	**3 413**

	Technical cooperation activities							
	General Fund	*Trust funds*	*UNDP*	*Programme support costs*	*Revolving funds and other funds*	*All fund eliminations*	*Total 2005*	*Total 2003*[a]
Cash flows from investing activities								
Plus: interest income	128	1 252	—	99	96	—	1 575	1 158
Net cash from investing activities	**128**	**1 252**	**—**	**99**	**96**	**—**	**1 575**	**1 158**
Cash flows from financing activities								
Savings on or cancellation of prior periods' obligations	233	—	—	43	—	—	276	747
Transfers (to)/ from other funds	—	(1 005)	—	(144)	1 149	—	—	—
Refund to donors	(1 163)	(250)	—	—	—	—	(1 413)	(1 039)
Net cash flows from financing activities	**(930)**	**(1 255)**	**—**	**(101)**	**1 149**	**—**	**(1 137)**	**(292)**
Net increase/(decrease) in cash and term deposits	306	9 145	—	(378)	1 485	—	10 558	4 279
Cash and term deposits, beginning of period	2 295	20 811	—	2 574	1 577	—	27 257	22 978
Cash and term deposits, end of period	**2 601**	**29 956**	**—**	**2 196**	**3 062**	**—**	**37 815**	**27 257**

[a] See note 2.
[b] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement IV

International Trade Centre UNCTAD/WTO

General Fund: statement of appropriations for the biennium ended 31 December 2005

(Thousands of United States dollars)

		Expenditures			
	Appropriation	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
International Trade Centre UNCTAD/WTO					
Programme of activities	51 774	49 059	2 455	51 514	260

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
The International Trade Centre and its activities

(a) On 12 December 1967, the General Assembly adopted resolution 2297 (XXII) approving the establishment of the International Trade Centre "to be jointly operated by the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT) on a continuing basis and in equal partnership" with effect from 1 January 1968. This arrangement had previously been endorsed by the GATT Council on 22 November 1967. In 1995, GATT responsibilities were assumed by the World Trade Organization (WTO). The WTO General Council then requested its secretariat to negotiate with the United Nations Secretariat for revised budgetary arrangements with regard to the International Trade Centre (the "Centre"). On 18 December 1998, the General Assembly, in its resolution 53/411 B, endorsed the recommendation of the Secretary-General of the United Nations and the Director-General of WTO that the present arrangements governing the status of the Centre as a joint body be confirmed and renewed with WTO, and approved the revised administrative arrangements of the Centre as set out in paragraph 11 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/53/7/Add.3). The General Assembly, in part I of resolution 59/276 of 23 December 2004, took note of the revised administrative arrangements for the Centre as set out in the report of the Secretary-General (A/59/405). Governmental supervision of the Centre is exercised by the members of WTO and by the Trade and Development Board of UNCTAD. The Joint Advisory Group is responsible for advising on the work programme and activities of the Centre.

(b) The Centre is a technical cooperation organization whose mission is to support developing and transition economies, and particularly their business sectors, in their efforts to realize their full potential for developing exports and improving import operations, with the ultimate goal of achieving sustainable development. The Centre deals specifically with the operational aspects of trade promotion and export development. Its regular budget is financed jointly and equally by the United Nations and WTO, and technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme.

Note 2
Summary of significant accounting and financial reporting policies of the International Trade Centre

(a) The accounts of the Centre are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations System Accounting Standards, as adopted by the former Administrative Committee on Coordination. The Committee has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Centre follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Centre's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts.

(c) The financial period of the Centre is a biennium and consists of two consecutive calendar years.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The budget of the Centre is approved in Swiss francs. The accounts of the Centre are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rates of exchange in effect at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Centre's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement (statement III) is based on the "indirect method" of cash flow as referred to in the United Nations System Accounting Standards.

(h) The Centre's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the Centre's operations presented in statements I, II and III are shown at the summary level by general type of activity, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation in a summarized format does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) General Fund

Income

(i) General Fund income reflects the actual contributions received from the United Nations and from WTO during the biennium;

(ii) Interest income includes all interest earned on various bank accounts and term deposits;

(iii) Other/miscellaneous income includes income from the rental of premises, sales of publications, refunds of prior years' expenditures, sales of obsolete equipment and other miscellaneous items;

(iv) Refunds of expenditures which are charged in the same financial period against the budgetary accounts are credited to the same accounts, but refunds of expenditure relating to prior financial periods are credited to miscellaneous income;

(v) Gain or loss on exchange. On the closing of the accounts at the end of each financial period, the balance for loss or gain on exchange is charged to the budget if there is a net loss; if there is a net gain, the gain is credited to miscellaneous income.

Expenditure

(vi) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(vii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(viii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges, as referred to in item (x) below.

Assets

(ix) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits, certificates of deposit and call accounts;

(x) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;

(xi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statements are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(xii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Centre. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

Liabilities, reserves and fund balances

(xiii) Operating and other types of reserves are included in the totals for "Reserves and fund balances" shown in the financial statements;

(xiv) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(xv) Deferred income includes income received but not yet earned;

(xvi) Commitments of the Centre relating to the current and future financial periods are shown as unliquidated obligations, which remain valid for 12 months following the end of the biennium to which they relate;

(xvii) No provision is made in the General Fund for end-of-service and post-retirement benefits; see note 8;

(xviii) Provision to meet contingencies under appendix D to the staff rules of the United Nations for personnel is calculated on the basis of 1 per cent of the net base pay and charged to the budget appropriations;

(xix) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(xx) The Centre is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Centre to the Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the date of the current financial statement, the United Nations General Assembly has not invoked this provision.

(k) Technical cooperation accounts

(i) Statements I, II and III include the financial reports on technical cooperation activities financed by the trust funds and the United Nations Development Programme (UNDP);

(ii) Funds received under inter-organization arrangements — UNDP. The allocation income from UNDP is determined taking into account interest income and other miscellaneous items against total expenditures;

(iii) UNDP projects for which the Centre is acting as an associated agency and/or cooperating agency are reflected in the main body of the financial statements, rather than in the notes;

(iv) Voluntary contributions — trust funds. Voluntary contributions are recognized on the cash basis of accounting, including amounts received pending the identification of specific projects;

(v) All monies accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each donor for projects approved by the donor and the recipient country;

(vi) Interest accruing from trust funds is credited first to the operating reserve to maintain that reserve at the agreed level (see para. (k) (xii)), then to support costs to meet any annual deficit attributable to currency fluctuations and thereafter to donors' funds. Trust fund miscellaneous income accruing from the sale of surplus property or refunds of expenditure is credited to the project from which the purchase or expenditure was originally financed. If the project is closed, this income is credited to the donor;

(vii) Contributions received in advance for trust funds comprise contributions received in respect of project budgets which extend beyond the current period, including the programme support income relating to those project budgets;

(viii) Unliquidated obligations for the current period in respect of trust funds and UNDP-financed activities remain valid for 12 months following the end of the calendar year, rather than the biennium to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings on or cancellation of prior-period obligations are credited to individual projects as a reduction of current-period expenditure in accordance with UNDP reporting requirements;

(ix) Unliquidated obligations for future financial periods are reported both as deferred charges and as future-year unliquidated obligations;

(x) A system of average costing is used for UNDP and trust fund projects whereby those elements of experts' actual costs that are unique to the individual expert are charged to projects at average cost. This is calculated by apportioning those costs over all technical cooperation projects in respect of which expert-months have been delivered in the current period;

(xi) Gain or loss on exchange. Any differences accruing on trust fund projects in respect of normal day-to-day transactions are borne by the appropriate project budgets. Those currency fluctuations that cannot be attributed to any

particular project are debited/credited to the operating reserve (see subpara. (k) (xii));

(xii) Operating reserve — trust funds. The Centre's policy is to maintain this reserve at a predetermined level and agreement has been reached with donors that the first charge upon interest should be for the purpose of maintaining the reserve at that level. Since 1993, in consultation with donor Governments, the operating reserve has been maintained at $1,087,816;

(xiii) Trust fund donors' fund balances. These funds comprise the unobligated balance of allocations, contributions not yet allocated, residual balances of closed projects, interest and miscellaneous income, including those items described in subparagraph (k) (vi). These funds are held pending instructions from the donor as to their disposal and are constantly under review in the course of continuing discussions that are maintained with all donors;

(xiv) Miscellaneous income. All monies accepted for purposes specified by the donors are treated as trust funds or special accounts. However, monies accepted in respect of which no purpose is specified are treated as miscellaneous income;

(xv) Provision to meet contingent liabilities for compensation under appendix D to the staff rules of the United Nations for personnel financed by technical cooperation trust funds is calculated on the basis of 1 per cent of the net base pay and charged to the project allocations.

(l) Support costs

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities and accounted for in the support costs fund. The reimbursement is calculated as a percentage of the programme resources expended;

(ii) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the General Fund;

(iii) Any balance in the support costs fund is carried forward to the next biennium;

(iv) An operating reserve at the level of 20 per cent of estimated support cost income is required to be maintained to meet contingent liabilities in accordance with administrative instruction ST/AI/285.

(m) Revolving funds and other funds

(i) Revolving funds initially funded with seed money from extrabudgetary sources are established for the purpose of carrying on specific activities or attaining certain objectives. The income derived from a revolving fund's activities are credited to the fund and are used to cover all related costs of its activities. Revolving funds are operated in accordance with the established terms of reference and operational and financial objectives.

(ii) Business advisory services

Sale of materials, tools and related services for ongoing research, development and dissemination of up-to-date materials on enterprise competitiveness are credited to (i) the World Trading System, (ii) the Enterprise Competitiveness

and Tools for Trade and (iii) the Enterprise Management Development Section Revolving Funds and are utilized to finance the provision of new and updated materials.

(iii) International purchasing and supply chain management

Sales of training materials and related services are credited to the International Purchasing Supply Management Section Revolving Fund and are utilized to finance reprinting, translation and other related costs.

(iv) Strategic and operational market research

Sales of trade data analyses, tools and services at the global, regional, national and enterprise levels are credited to (i) the Trade Information Services and (ii) the Trade Flow Analysis and Market Research Revolving Funds and are utilized to finance the provision of further services.

(v) South-South trade promotion

Sales of standard output, ready-made and tailor-made advisory and operational services, training materials, matchmaking and related services are credited to (i) the South-South Trade Promotion and (ii) the Market Development Section Revolving Funds and are utilized to finance the provision of further services and updated materials.

Note 3
General Fund

(a) Income during the biennium 2004-2005

Under the terms of General Assembly resolution 2297 (XXII) of 12 December 1967 and the decision of the Contracting Parties to GATT dated 22 November 1967, and the new administrative arrangements between the United Nations and WTO as endorsed by the General Assembly at its fifty-third and fifty-ninth sessions in decision 53/411 and resolution 59/276 respectively, the regular budget of the International Trade Centre is assessed in Swiss francs and shared equally between the United Nations and WTO.

The revised budget of the Centre for the biennium 2004-2005, as established by General Assembly resolution 60/245, provided for estimated expenditures of $51,774,300 (equivalent to SwF 64,121,200 at the United Nations exchange rate of SwF 1.24 to the dollar), as compared with SwF 61,370,700 for the previous biennium, thus reflecting an increase of 4.48 per cent in Swiss francs. Miscellaneous income was estimated at $582,300 (equivalent to SwF 713,100), thus requiring a contribution of $25,596,000 (equivalent to SwF 31,704,100) each from the United Nations and WTO.

During the biennium 2004-2005, the contributions received from the United Nations and WTO were $25,630,303 (equivalent to SwF 31,716,725) and $25,585,525 (equivalent to SwF 31,716,725) respectively, totalling $51,215,828 at an average exchange rate of SwF 1.24 to the dollar.

Other income during the biennium 2004-2005 comprises (in thousands of United States dollars):

	2005	*2003*
Income from rental of premises	165	258
Sale of publications	126	168
Refund of prior years' expenditures	95	68
Miscellaneous	74	28
Total	**460**	**522**

(b) Assets

(i) Cash and term deposits represent the total of all cash balances. All amounts were held in interest earning bank accounts.

(ii) Other accounts receivable comprise (in thousands of United States dollars):

	2005	*2003*
Advances to staff	233	194
VAT to be reimbursed by Governments	1	—
Accrued interest	59	11
Miscellaneous items	63	72
Total	**356**	**277**

(iii) Deferred charges comprise (in thousands of United States dollars):

	2005	*2003*
Unliquidated obligations — future periods	4 673	5 276
Education grant advances to staff (note 2 (j) (xi))	88	93
Miscellaneous items paid in advance	139	—
Total	**4 900**	**5 369**

(c) Liabilities

(i) Other accounts payable comprise (in thousands of United States dollars):

	2005	*2003*
Due to staff	186	93
Other items	54	45
Total	**240**	**138**

(ii) The estimated costs of the Centre's future-year commitments in respect of leases extending beyond the financial period ended 31 December 2005 that are to be met from the appropriations of the following two bienniums comprise (in thousands of United States dollars):

	2006-2007	*2008-2009*	*Total*
Lease of ITC headquarters building	2 044	1 659	**3 703**
Rental of reprographic equipment	591	296	**887**
Rental of photocopiers and fax machines	83	—	**83**
Total	**2 718**	**1 955**	**4 673**

(iii) Reserves and fund balances

The surplus account of the Centre's General Fund of $523,034 represents funds available for credit to the United Nations and WTO. The surplus account arose from savings on the liquidation of obligations for the prior period of $233,349 and excess of income over expenditures for the biennium 2004-2005 of $289,685. The fund balance of $1,162,733 brought forward from the biennium 2002-2003 has been refunded equally to the United Nations and WTO.

Note 4
Technical cooperation activities

(a) Trust funds

(i) Assets

a. Cash comprises (in thousands of United States dollars):

	2005	*2003*
Cash at banks	12	13
Interest-bearing deposits	29 938	20 793
Held by imprest holders	6	5
Total	**29 956**	**20 811**

b. Other accounts receivable comprise (in thousands of United States dollars):

	2005	*2003*
Due from UNDP	1 276	—
Advances to staff members	286	295
Accrued interest	461	72
Advances to agencies	2 339	1 055
Other items	24	16
Total	**4 386**	**1 438**

c. Deferred charges comprise (in thousands of United States dollars):

	2005	*2003*
Unliquidated obligations for future periods	3 882	2 133
Education grant advances to staff (note 2 (j) (xi))	37	46
Miscellaneous items	—	1
Total	**3 919**	**2 180**

(ii) Liabilities

a. Other accounts payable comprise (in thousands of United States dollars):

	2005	*2003*
Due to United Nations General Fund	—	897
Payable to staff	190	256
Miscellaneous items	118	374
Total	**308**	**1 527**

(iii) Operating reserve

The operating reserve is maintained to meet contingencies, including those arising from the termination of employment of experts. As reflected in the summary of significant accounting policies (note 2 (k) (xii)), it is the Centre's policy to maintain this reserve at a predetermined level ($1,087,816 for the biennium 2004-2005) and, with the general agreement of the donors, the interest accruing from the investment of funds is first utilized to maintain the reserve at that level.

(b) United Nations Development Programme

Assets

(i) Other accounts receivable comprise (in thousands of United States dollars):

	2005	*2003*
Due from other agencies	83	4
Due from staff	24	26
Miscellaneous items	4	—
Total	**111**	**30**

(ii) Deferred charges comprise (in thousands of United States dollars):

	2005	*2003*
Unliquidated obligations for future years	11	—
Other items	—	20
Total	**11**	**20**

Note 5
Special account for programme support costs

(a) The reserves and fund balances totalled $2,033,000 as at 31 December 2005 and reflected the following movements during the biennium 2004-2005 (in thousands of United States dollars):

	2005	*2003*
Fund balances as at 1 January 2004	1 943	1 888
Shortfall of income over expenditure	(318)	177
Savings on or cancellation of prior period's obligations	43	53
Transfers to Revolving Funds	(144)	(33)
Transfers to Operating Reserve	(55)	(142)
Fund balances as at 31 December 2005	**1 469**	**1 943**
Operating reserves as at 1 January 2004	509	367
Transfers from surplus account	55	142
Reserve balances as at 31 December 2005	**564**	**509**
Total reserves and fund balances	**2 033**	**2 452**

Note 6
Revolving funds and other funds

(a) Income during the biennium 2004-2005 comprised (in thousands of United States dollars):

	2005	*2003*[a]
Business advisory services revolving funds	183	47
International purchasing and supply chain management revolving funds	290	256
Strategic and Operational Market Research revolving funds	3 073	2 265
South-South trade promotion revolving funds	105	3
Other fund — Meet in Africa[b]	105	—
Interest	96	46
Total	**3 852**	**2 617**

[a] Comparative figures have been reclassified to conform to current presentation.
[b] Previously included in trust funds for technical cooperation activities.

Note 7
Non-expendable property

(a) The movement in non-expendable property is summarized below (in thousands of United States dollars):

	2005
Balance 1 January 2005	2 871
Acquisitions	1 217
Less: write-offs — accidents, thefts and damages	(2)
Less: dispositions and other adjustments[a]	(258)
Balance 31 December 2005	**3 828**

[a] Includes sale of obsolete equipment and transfers to various UNDP offices and institutions upon closure of projects.

Note 8
Liabilities for end-of-service and post-retirement benefits

(a) The Centre has not specifically recognized, in any of its financial accounts, liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments, which will be owed when staff members leave the Centre. Such costs are budgeted for in the General Fund, and the actual payments made in each financial period are reported as current expenditures.

(b) Based on established practice, in order to gain a better understanding of the financial dimensions of the Centre's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health insurance benefits. It is estimated that the Centre's liability as at

31 December 2005 for after-service health insurance benefits covering all participants, regardless of funding source, is as follows (in thousands of United States dollars):

	Present value of future benefits	*Accrued liability*
Gross liability	66 775	54 917
Offset from retiree contributions	(16 694)	(13 730)
Net liability	**50 081**	**41 187**

(c) The present value of future benefits figures shown above are the discounted values of all benefits to be paid in the future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) Staff members who separate from the Centre are entitled to be paid for any unused vacation days they may have accrued up to a maximum limit of 60 days. The Centre's total liability for such unpaid accrued vacation compensation as of 31 December 2005 is estimated to be $1.9 million.

(e) Eligible staff members are entitled to repatriation grants and related expenditures of relocation upon their termination from the Centre based on the number of years of service. During 2005, the Centre has modified its methodology for computing the estimated repatriation grants liability based on actual IMIS payroll data, as adjusted by the estimated costs of repatriation per region. The Centre's total liability for such unpaid repatriation and relocation entitlement as of 31 December 2005 is estimated to be $4.5 million.

06-38883 (E) 310806